

Message Text

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72

ACTION EB-11

INFO OCT-01 ARA-11 EUR-25 EA-11 ADP-00 IO-12 AGR-20 CEA-02

CIAE-00 COME-00 DODE-00 FRB-02 H-02 INR-10 INT-08

L-03 LAB-06 NSAE-00 NSC-10 PA-03 RSC-01 AID-20

CIEP-02 SS-15 STR-08 TAR-02 TRSE-00 USIA-12 PRS-01

OMB-01 OPIC-12 RSR-01 /212 W
----- 027347

P R 241809 Z MAY 73

FM AMEMBASSY LIMA

TO SECSTATE WASHDC PRIORITY 5629

INFO AMEMBASSY BON

AMEMBASSY PARIS

AMEMBASSY THE HAGUE

AMEMBASSY LONDON

AMEMBASSY MADRID

AMEMBASSY TOKYO

C O N F I D E N T I A L LIMA 3475

E. O. 11652 - GDS

TAGS: EFIS, PE

SUBJ: WORLD BANK CONSULTATIVE GROUP MEETING ON
PERU AND PERU' S NATIONALIZATION OF FISHMEAL/ FISHOIL
INDUSTRY

SUMMARY: MAY 7 NATIONALIZATION FISHMEAL/ FISHOIL INDUSTRY
AFFECTED JAPANESE, BRITISH, FRENCH, DUTCH, GERMAN, AND
SPANISH INVESTMENTS IN FISHMEAL PLANTS AS WELL AS US.
SINCE ALL OF THESE COUNTRIES REPRESENTED IN CONSULTATIVE
GROUP FOR PERU, EMBASSY SUGGESTS DEPARTMENT INSTRUCT OUR
REPSECTIVE EMBASSIES TO DISCUSS NATIONALIZATION WITH HOST
GOVERNMENTS, CONVEYING SUGGESTION THAT HOST GOVERNMENTS
MAY WISH RAISE WITH PERUVIAN REPS AT UPCOMING CG
MEETING (JUNE 19-20 IN PARIS) QUESTIONS CONCERNING

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BASIC VALUATION OF ASSETS, REPAYMENT IN HARD CURRENCY

AND RAPID CAPITAL REPATRIATION FOR EXPROPRIATED FIRMS. BRITISH, JAPANESE, GERMAN EMBASSY REPRESENTATIVES HAVE INFORMED US OF THEIR GENERAL CONCERN OVER THIS MATTER AND WE HAVE RECOMMENDED THAT THEY SUGGEST SIMILAR CONCERN BE EXPRESSED BY THEIR REPRESENTATIVES TO GOP AT CG MEETING. END SUMMARY.

1. MAY 7, GOP NATIONALIZED ALL ASSETS, BOTH PERUVIAN AND FOREIGN, OF PRIVATE COMPANIES IN FISHMEAL/ FISHOIL INDUSTRY. (GOP CLAIMS PRODUCTION FOREIGN FIRMS ACCOUNTED FOR 32.5 PERCENT OF TOTAL PERUVIAN FISHMEAL AND FISHOIL OUTPUT.) GOP JUSTIFICATION BASED ON ALLEGED STRUCTURAL PROBLEMS OF INDUSTRY, DEBT BURDEN, DEPENDENCE ON CLIMATIC CONDITIONS, AND MOST SIGNIFICANTLY, FACT THAT FISH, AND HENCE FISHMEAL AND PERUVIAN " NATURAL RESOURCE."

2. COMPENSATION TO FIRMS TO BE 10 PERCENT CASH, REMAINDER IN TEN- YEAR NONTRANSFERRABLE BONDS AT SIX PERCENT INTEREST. U. S. FIRMS, AND OTHER FOREIGN FIRMS AS WELL, ARE CONCERNED ABOUT OBTAINING FAIR APPRAISAL OF ASSETS, INCLUDING EVALUATION FISHMEAL STOCKS, AND RECEIVING TIMELY COMPENSATION IN HARD CURRENCY. GOP HAS NOT EXPLAINED HOW IT INTENDS VALUE ASSETS OF EXPROPRIATED FIRMS OR WHAT PRICE IT PLANS PAY FOR FISHMEAL STOCKS ON HAND. MANY EXPROPRIATED FIRMS BELIEVE COMPENSATION WILL BE CONSIDERABLY LESS THAN ACTUAL VALUE THEIR ASSETS. THIS EMBASSY SHARES THIS PESSIMISTIC OUTLOOK.

3. FOREIGN FIRMS SEIZED INCLUDE (PERCENTAGE OWNERSHIP IN PARENS): DUTCH - COMPANIA MARITIMA PESCARA (40 PERCENT); SPANISH - BLUE PACIFIC FISHING (49 PERCENT); FRENCH - SAMANCO (98 PERCENT); GERMAN - CONSORCIO BALLNERO (32 PRCENT); BRITISH - PROPESCA (MAJORITY) ; JAPAN - TAIYO FISHERY (100 PERCENT) AND INDUSTRIA MARITIMA DE SUPE GKMAJORITY). BRITISH AMBASSADOR ESTIMATES INVESTMENT AT \$2.5 MILLION. U. S. FIRMS NATIONALIZED ASSETS ESTIMATED AT \$35-40 MILLION DOLLARS. JAPANESE COUNSELOR SAYS THEIRS COMES TO ABOUT \$4,000.000. OTHER UNKNOWN AT THIS MOMENT.

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4. THIS NATIONALIZATION IS FIRST BY GOP WHICH HITS SIMULTANEOUSLY AT MANY FOREIGN COUNTRIES. IN LIGHT WORLD BANK INTEREST IN LOOKING CAREFULLY AT STATUS ALL INVESTMENT DISPUTES AND PROGRESS TOWARD RESOLUTION SAME, AND GOP' S OWN DECLARATIONS ON IMPORTANCE OF

PRIVATE SECTOR TO FUTURE DEVELOPMENT PERU, BELIEVE IT WOULD BE USEFUL FOR GOVERNMENTS WHOSE NATIONALS HAD ASSETS SEIZED AND WHICH ARE MEMBERS CG TO EXPLORE WITH PERUVIAN REPRESENTATIVES AT CG MEETING PERU' S FUTURE INTENTIONS TOWARD COMPENSATION OF NATIONALIZED ASSETS IN FISHMEAL INDUSTRY. FURTHERMORE, OUR UNDERSTANDING OF WORLD BANK EXPROPKION POLICY IS THAT ITS LOANS CANNOT SUPPLANT, BUT CAN ONLY SUPPLEMENT, PRIVATE INVESTMENT. IF EXPROPRIATION ACTION TAKEN BY POTENTIAL RECIPIENTS OF IBRD LOANS ARE DISCOURAGING TO PRIVATE INVESTMENT THEN THE BANK WILL REVIEW EVERY CAREFULLY ITS LOAN POLICY TOWARD THAT GOVERNMENT. IN THIS LATEST MOVE BY THE GOP (AS DISTINCT, PERHAPS, FROM THE IPC CASE) WE SEE SUCH AN ACTION.

5. ACTION RECOMMENDATION:

1. IN INTEREST BRINGING DISCREET PRESSURE TO BEAR ON GOP FOR FAIR SETTLEMENT, SUGGEST THAT INFO ADDRESSEES BE INSTRUCTED, UNLESS SOME SERIOUS OBJECTION PERCEIVED TO APPROACH APPROPRIATE LEVEL IN HOST FOREIGN OFFICE AND/ OR AGENCY RESPONSIBLE FOR WORLD BANK MATTERS AND CONVEY FOLLOWING POINTS (DRAWING ON FOREGOING) :
 - A) QUESTION OF COMPENSATION AND EXPROPRIATION IN FISHMEAL INDUSTRY IS A MATTER OF GENUINE CONCERN TO US AS WELL AS IBRD AND OTHER IFT' S;
 - B) OUR CONCERN CENTERS ON VALUE AND PAYMENT FOR EXPROPRIATED ASSETS;
 - C) COMPENSATION INVOLVES REPAYMENT OF HARD CURRENCY OBLIGATIONS AS WELL AS REPATRIATION OF CAPITAL.
2. MATTER SHOULD ALSO BE BROUGHT TO ATTENTION WORLD BANK OFFICIALS AT HIGHEST LEVEL INCLUDING KNAPP, ALTER, AND IF POSSIBLE MCNAMARA.

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6. SINCE DICTATING FOREGOING JAPANESE AMBASSADOR HAS TOLD US HE HAS SENT CABLE ALONG THESE LINES TO TOKYO. HE HAS SPOKEN TO FRENCH COLLEAGUE BUT RESULTS DOUBTFUL IN VIEW TIMING PARIS MEETING AND THEIR PROBLEM WITH PERU OVER A- BOMB ATMOSPHERIC TESTING.
- BELCHER

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